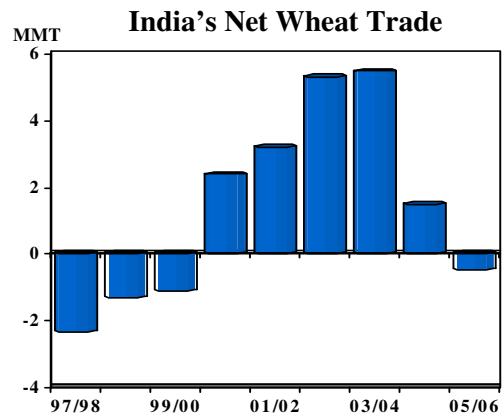
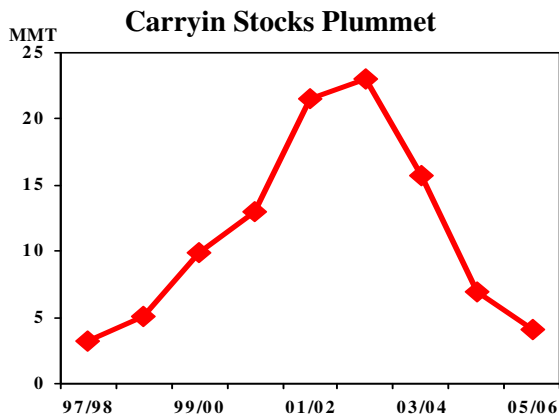

WHEAT: WORLD MARKETS AND TRADE

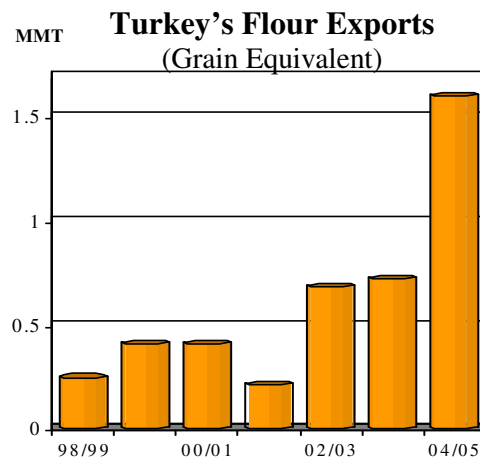
MONTHLY HIGHLIGHTS:

India Expected To Return as Net Importer: For the first time in 6 years, India is expected to import significant quantities of wheat, currently estimated at 1 million tons. Although production is about the same as last year, sharply lower carryin stocks and strong consumption are tightening supplies, causing domestic prices to strengthen. In the past 4 years, stocks have dropped from 23 million tons to only 4, due to strong export programs and rising consumption. The latter is a result of high population growth, implementation of social programs, and changes in dietary habits with increasing urbanization and higher consumer income.



Turkey's Flour Exports Jump in 2004/05:

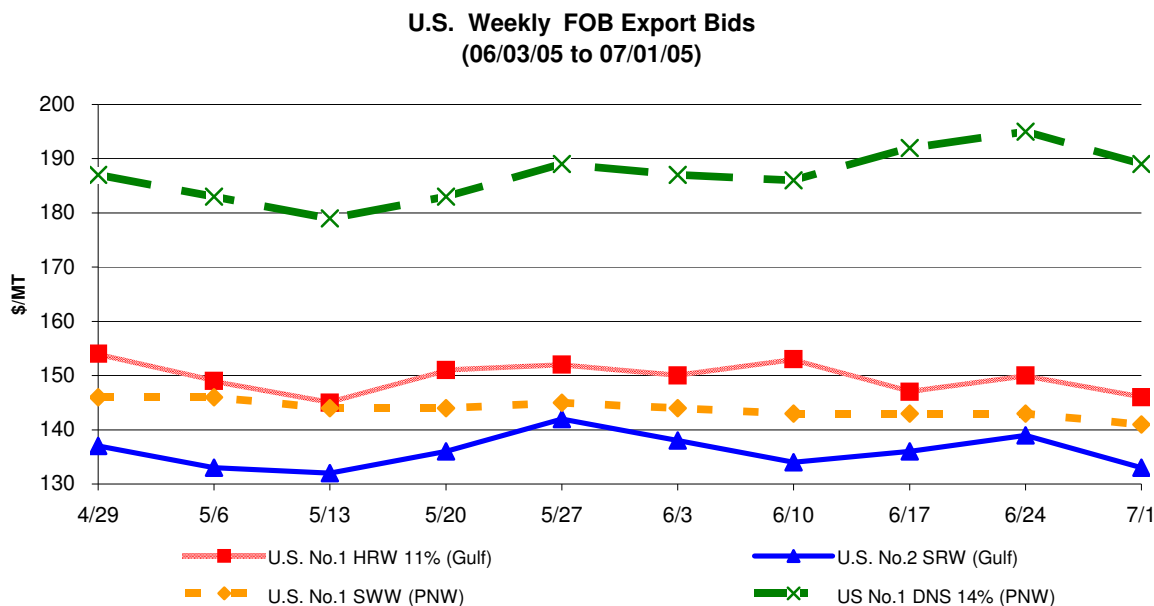
Turkish flour exports surged last year, more than doubling the previous year's level. A number of factors have likely contributed to this growth, including a better quality domestic crop, advantages in freight due to the use of containers, and increased marketing efforts. Additionally, Turkey has benefited from strong nearby demand in Iraq, its largest flour market this year. Iraq's insufficient wheat purchases there and delays in offloading wheat cargos during recent months necessitated increased buying of foreign flour for public distribution.



PRICES:

Domestic: Wheat prices fell for the winter wheat classes in June as the harvest accelerated. Reports of lower protein in the HRW crop, however, strengthened HRS prices through much of the month.

For the week ending July 1, and compared to a month earlier, average prices fell \$4 a ton for HRW, \$5 a ton for SRW, and \$3 a ton for SWW. HRS prices, however, rose by \$2 a ton.



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Canada** up 500,000 tons to 16.0 million with better crop prospects and increased world durum demand.
- **Iran** up 450,000 tons to 450,000 as a result of recent flour sales to Iraq.
- **Ukraine** up 500,000 tons to 5.0 million with higher production.

Selected Importers

- **Algeria** up 600,000 tons to 5.2 million as production is slashed.
- **India** up almost 1.0 million tons to 1.0 million, the highest in 6 years. With low carryin stocks and a reduction in the harvest estimate, imports will likely be needed to satisfy domestic demand.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **Australia** down 400,000 tons to 16.1 million with slow shipments in recent months.

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- **China** up 100,000 tons to 1.1 million due to pace to date.
 - **Paraguay** up 100,000 tons to 300,000. Nearly all of these exports have gone to neighboring Brazil.
 - **Russia** up 700,000 tons to 7.0 million as late-season exports have surged.

Selected Importers

- **Algeria** up 100,000 tons to 4.6 million as a result of current trade data.
- **Egypt** up 300,000 tons to a record 8.0 million due to current trade and sales data.
- **Iraq** down 200,000 tons to 2.8 million with smaller than expected late-season wheat imports.
- **Nigeria** up 100,000 tons to a record 2.9 million as expanding consumption continues to drive larger imports, almost entirely from the United States. A similar change was made to the 05/06 estimate.
- **Philippines** down 300,000 tons to 2.5 million with smaller shipments of wheat for feed. A similar adjustment was made to the 05/06 estimate.
- **South Korea** down 100,000 tons to 3.7 million due to smaller than expected imports of wheat for feed. A similar adjustment was made to the 05/06 estimate.
- **Ukraine** down 150,000 tons to 50,000 as ample domestic supplies have reduced the need for imports. A similar reduction was made to the 05/06 estimate.